

Neutral Citation No. - 2025:AHC:111809-DB

Court No. - 29

Case :- WRIT - C No. - 21802 of 2025

Petitioner :- Smt Savita Sharma

Respondent :- State Of U.P. And 2 Others

Counsel for Petitioner :- Om Prakash Shukla

Counsel for Respondent :- Anuj Pratap Singh,C.S.C.

Hon'ble Mahesh Chandra Tripathi,J.

Hon'ble Vinod Diwakar,J.

1. Heard learned counsel for the petitioner, Shri Devesh Vikram, learned Additional Chief Standing Counsel for State respondent and Shri Ambrish Shukla, learned counsel for U.P. State Industrial Development Authority¹.
2. The present writ petition has been filed, *inter alia*, seeking issuance of a writ in the nature of certiorari to quash the impugned order dated 24.05.2024, whereby the petitioner's lease has been cancelled, and to set aside the subsequent order dated 12.08.2024, by which the petitioner's review application dated 03.07.2024, seeking restoration of the allotment, has been rejected. The petitioner further seeks to cancel the scheduled e-auction of the plot in question and prays for a direction to the respondent authorities restraining them from dispossessing the petitioner from Plot No. E-236, ad-measuring 767.32 square meters, situated at Industrial Area Karkhiyaon, Phoolpur, Varanasi.
3. The petitioner was duly allotted the plot in question for the purpose of establishing industrial activities, in accordance with the policies and procedures prescribed by the concerned authorities. Respondent No. 2 – Uttar

¹ In short "UPSIDA" (earlier known as "UPSIDC").

Pradesh State Industrial Development Authority (UPSIDA) – is a state-level industrial development authority entrusted with the responsibility of promoting and facilitating the development of industries across the State of Uttar Pradesh. As the governing body, UPSIDA exercises control over the allotment, management, and regulation of industrial plots within its notified areas, including the plot allotted to the petitioner.

4. The records reveal that the petitioner was allotted Plot No. E-236, admeasuring 767.32 square meters, situated in the Industrial Area, Karkhiyaon, Phoolpur, Varanasi, by UPSIDA through an allotment letter dated 18.11.2019, for the purpose of establishing a fruit ripening industrial unit. Pursuant to the allotment, the petitioner deposited the earnest money, completed all requisite formalities, and executed a 90-year lease deed on 25.09.2020. Despite taking possession of the plot, the petitioner failed to deposit the balance premium amount of Rs.19,82,912.03/-. She sought multiple extensions, citing financial constraints and health-related issues within her family, and even approached this Hon'ble Court by filing Writ Petition No. 40081 of 2023. The said writ petition was disposed of on 12.12.2023, granting her liberty to clear the dues within a period of three months.

4.1 However, upon her failure to comply with the said order, the respondent authority cancelled the allotment vide order dated 24.05.2024. Subsequently, the petitioner filed an application dated 03.07.2024 seeking restoration of the plot, which was rejected by the respondent authority on 12.08.2024 on the ground of limitation. The petitioner contends that the cancellation order was served upon her only on 05.06.2024, and therefore, her restoration application was within the prescribed time limit. Despite her repeated requests for restoration and her readiness to pay the outstanding dues along with interest, the respondent authority proceeded to list the plot for e-auction on 11.07.2025 pursuant to the e-auction notice dated 23.06.2025.

4.2 Aggrieved by the said actions, the petitioner has invoked the extraordinary jurisdiction of this Hon'ble Court under Article 226 of the Constitution of India, praying for quashing of the impugned orders dated 24.05.2024, 12.08.2024, and the e-auction notice dated 23.06.2025.

5. Learned counsel for the petitioner contends that the petitioner, despite facing severe financial hardships and family health emergencies, has never acted with any mala fide intent. She continues to remain in possession of the disputed plot, has developed partial infrastructure for industrial purposes, and is ready and willing to clear the outstanding dues along with applicable interest and penalties. It is submitted that the impugned orders are vitiated by procedural irregularities, as the petitioner's application for restoration of the plot dated 03.07.2024 was filed within one month from the date of actual service of the cancellation order, which was received on 05.06.2024.

5.1 It is further argued that UPSIDA failed to consider the petitioner's bona fide conduct and her genuine attempts to comply with the conditions of allotment. Arbitrary cancellation of the plot would defeat the larger object of industrial development for which the allotment was initially made. The learned counsel also submits that the principles of natural justice were not adhered to, and the rejection of the restoration application was mechanical and devoid of proper consideration. Lastly, it is urged that denial of restoration and the initiation of re-allotment through e-auction is unjust, inequitable, and warrants judicial interference, with a prayer for restoration of the allotment in favour of the petitioner.

6. *Per contra*, Shri Ambrish Shukla, learned counsel appearing for UPSIDA, has vehemently opposed the writ petition. He submits that the petitioner was granted a conditional allotment dated 18.11.2019, under which she was required to fulfill all mandatory formalities, including completion of construction, obtaining requisite approvals, and commencement of production, within a stipulated period of two years. Despite repeated reminders and

notices dated 07.12.2020, 02.06.2021, 07.12.2021, 14.03.2023, and others, the petitioner neither cleared the outstanding dues amounting to Rs.19,82,912.03/- nor established a functional industrial unit on the allotted plot. Even the extended timeline granted up to 18.05.2023 expired without compliance.

6.1 It is further contended that although the earlier writ petition was disposed of on 12.12.2023 with a direction to clear all dues within three months, the petitioner failed to adhere to this deadline. Shri Shukla asserts that the restoration application dated 03.07.2024 was not filed within one month from the date of cancellation order (i.e., 24.05.2024) as required, and UPSIDA is not bound by the petitioner's claim regarding the alleged date of service of the cancellation order. In support of his arguments, he has placed reliance on Condition Nos. 09, 11, 15, 20, and 23 of the allotment letter, which are reproduced herein below:

"9. You shall have to get the maps approved within 90 days of taking possession. The formalities to be done in this regard are available on website onlineupsida.com.

11. You shall have to start production on the plot within 12.00 months from date of allotment and intimate the corporation of the same.

15. The allotment will be cancelled if and when any one of the following mentioned violations happen and further action after cancellation shall be taken up as mentioned in clause 16 below. a. If you fail to comply to any of the conditions 7-12 above within the time stipulated above, the time duration mentioned being of essence. OR b. If you fail to make payment of Interest and premium on or before the due date(s) as mentioned in clause 5 of this letter OR c. If you fail to comply clause 23, 24 and 26 mentioned here in below.

20. You will pay use and occupation charges/lease rent at the rate of Rs. 1/- per Sq.mtr per year during the first thirty years, Rs. 2.5/- per Sq.mtr per year during the next thirty years after expiry of the first thirty years and Rs. 5/- per Sq.mtr per year during the next thirty years after expiry of the first sixty years. Use and occupation charges are payable till the date lease is granted to you whereafter lease rent will have to be paid.

23. You will utilize minimum 40% area of the plot by covering it by roof/permanent shed within the above specified period failing which the allotment of the plots(s) will be cancelled."

7. Relying on the strict enforcement of the terms of the lease, learned counsel for UPSIDA asserts that the cancellation of the petitioner's allotment

is legal, justified, and strictly in accordance with the conditions stipulated in the allotment letter. It is submitted that UPSIDA, being a statutory authority, has an obligation to ensure the optimal utilization of industrial plots, and the prolonged non-compliance by an allottee, despite repeated indulgence and extensions, inevitably warrants cancellation. It is further contended that the fresh e-auction process initiated by the authority is a transparent and lawful mechanism to re-allocate unused industrial land to deserving applicants, thereby promoting industrial growth and public interest. Lastly, it is urged that since the petitioner has failed to fulfill the essential terms and conditions of the allotment agreement as well as the general conditions, the impugned orders have been rightly passed, and the present writ petition is devoid of merit and liable to be dismissed.

8. The primary objectives of UPSIDA are to promote and attract investments within the State of Uttar Pradesh by facilitating industrial growth and development. The authority is entrusted with the responsibility of developing and maintaining requisite infrastructure, providing incentives, and creating a conducive environment for businesses to establish and expand their operations in the state. In furtherance of these objectives, UPSIDA also endeavours to generate employment opportunities and to support and strengthen the growth of existing industries across Uttar Pradesh.

9. The decision of the Hon'ble Apex Court in *Skyline Contractors Pvt. Ltd. v. State of U.P.*² squarely applies to the facts of the present case. In that matter, despite partial and delayed payments by the allottee, the Hon'ble Supreme Court upheld the cancellation of allotment by NOIDA, holding that unilateral deposits made without prior approval or consent could not bind the authority. Similarly, in the present case, the petitioner neither sought nor obtained any formal extension of time from UPSIDA within the contractual framework. Her delayed restoration applications—though sought to be justified by referring to the alleged date of service—cannot cure or condone

² (2008) 8 SCC 265

years of non-performance and breach of essential terms of allotment.

10. In a recent judgment, the Hon'ble Apex Court in ***Kamla Nehru Memorial Trust and Others v. U.P. State Industrial Development Corporation Limited and Others***³ held that, in order to preserve the integrity of the allotment process, allowing deliberate and repeated defaults by an allottee to persist unchecked would undermine the entire framework of land allocation and set a harmful precedent detrimental to public interest. The relevant portion of the judgment is reproduced herein below:—

“25. We may hasten to add at this stage that the dues for the Subject Land, allotted in 2003, remained unpaid despite multiple communications spanning several years. KNMT not only failed to make timely payments but also sought unwarranted concessions, including waiver of interest and rescheduling of dues. This persistent non-compliance establishes KNMT as a chronic defaulter, while the continued attempts to seek waiver evince a deliberate strategy to avoid payment obligations. UPSIDC's action in treating KNMT as a defaulter was, therefore, both justified and necessary to preserve the integrity of the allotment process. Allowing such deliberate defaults to persist unchecked would undermine the entire framework of land allocation and set a detrimental precedent.

1. 26. For the reasons stated, we are satisfied that the cancellation of allotment by UPSIDC is fully justified and in accordance with law.

E. INVOKING THE PUBLIC TRUST DOCTRINE IN THE ALLOCATION OF RESOURCES.

2. 27. The prolonged litigation initiated by KNMT has spanned over fifteen years, unnecessarily burdening the judicial system and impeding the efficient functioning of public authorities. Such protracted disputes highlight the need for more stringent initial evaluation processes to prevent chronic defaults.

3. 28. While we have upheld the cancellation due to KNMT's default, the circumstances reveal systemic concerns in the original allocation process. UPSIDC allotted the Subject Land to KNMT within merely two months of application, raising questions about the thoroughness of the evaluation. Furthermore, during the pendency of

4. this dispute, UPSIDC demonstrated remarkable alacrity in considering alternative allotments to M/s. Jagdishpur Paper Mills Ltd.

5. 29. We, therefore, consider it necessary to examine whether UPSIDC's procedure for industrial land allotment meets standards of administrative propriety, particularly in light of the Public Trust Doctrine (Doctrine) mandating that public resources be managed with due diligence, fairness, and

³ Arising out of SLP (C) Nos. 31887-88/2017

in conformity with public interest.

6. 30. *The Doctrine emanates from the ancient principle that certain resources (seashores, rivers and forests) are so intrinsically important to the public that they cannot be subjected to unrestricted private control. Rooted in Roman law and incorporated into English common law, this Doctrine recognizes that the Sovereign holds specific resources as a trustee for present and future generations. M.C. Mehta v. Kamal Nath, (1997) 1 SCC 388, para 24-25.*

7. 31. *In the Indian context, the Doctrine has evolved to encompass public resources meant for collective benefit, reflecting the constitutional mandate Under Article 21. As held in Natural Resources Allocation In re, while the Doctrine does not impose an absolute prohibition on transferring public trust property, it subjects such alienation to stringent judicial review to ensure legitimate public purpose and adequate safeguards. Centre for Public Interest Litigation V. Union of India (2012) 3 SCC 1*

8. 32. *When a substantial tract of industrial land is allocated without a comprehensive evaluation, it raises critical questions about adherence to these principles. The Doctrine requires that allocation decisions be preceded by a thorough assessment of public benefits, beneficiary credentials, and safeguards ensuring continued compliance with stated purposes.*

9. 33. *The allocation of 125 acres of industrial land to KNMT without a competitive process fundamentally violated the Doctrine, which demands proper procedure and substantive accountability in public resource allocation. UPSIDC ought to have considered verifiable evidence of economic benefits, employment generation potential, environmental sustainability, and alignment with regional development objectives to demonstrate that the decision serves the collective benefit. The failure to adopt transparent mechanisms not only deprived the public exchequer of potential revenue-as evidenced by the substantial appreciation in the value of such a large tract of land-but also created a system where privileged access supersedes equal opportunity. This betrays the fiduciary relationship between the State and its citizens.*

34. *Having upheld the cancellation due to KNMT's chronic default, we observe that the hasty allotment followed by years of litigation exemplifies systemic deficiencies in the allocation process. This necessitates comprehensive directions to ensure that future allocations uphold principles of transparency and accountability, thereby preventing prolonged disputes while ensuring that public resources genuinely promote industrial development and economic growth.*

F. CONCLUSION AND DIRECTIONS

10. 35. *In light of our detailed examination of the contentions raised by the parties, the comprehensive analysis of the factual and legal matrix and the resultant conclusions, we uphold the cancellation of the allotment by UPSIDC.”*

11. It is an admitted position that the allotment of the plot in question was made in favour of the petitioner on 18.11.2019, subject to specific terms and

conditions requiring the establishment and operationalization of an industrial unit within the period stipulated in the lease deed. The lease deed, executed on 25.09.2020, further reaffirmed these obligations. The petitioner was under a contractual as well as statutory obligation to clear all outstanding dues, obtain necessary approvals, undertake construction, and commence industrial operations within the prescribed timeline. However, despite repeated reminders and notices issued by UPSIDA on various occasions, including notices dated 07.12.2020, 02.06.2021, 07.12.2021, 14.03.2023, and others, the petitioner failed to ensure effective compliance. Even after this Court, in Writ Petition No. 40081 of 2023, extended indulgence by its order dated 12.12.2023 granting three months' time to fulfil the lease conditions, the petitioner once again defaulted in meeting the requirements.

12. This Court is not persuaded to accept the petitioner's explanation of financial hardship and medical exigencies as a valid justification for years of non-compliance with the essential terms of the allotment and lease. While the Court is mindful of and sympathetic to the petitioner's personal circumstances, a mere expression of willingness to pay outstanding dues after the initiation of e-auction proceedings or subsequent to the cancellation of the allotment cannot obliterate a prolonged and wilful failure to adhere to contractual obligations. Equity, though an integral facet of the writ jurisdiction, cannot be invoked in favour of a party who has consistently failed to perform its obligations under the allotment and lease conditions.

13. The petitioner's contention that the restoration application was filed within one month from the date of actual service of the cancellation order, even if assumed to be correct, cannot absolve her of the substantive and prolonged breaches that persisted for nearly four years. The cancellation of the allotment was not predicated merely upon any delay in filing the restoration application but was fundamentally based on the petitioner's

sustained failure to adhere to the core obligations under the lease. This is not a case where a minor procedural lapse alone resulted in the cancellation; rather, it is one of repeated and substantial non-compliance with essential conditions.

14. There are far reaching consequences of restoring a lease after repeated defaults. The fiscal and administrative policies of the State, particularly in matters concerning the allotment of industrial plots and lease deeds, are anchored in principles of public accountability, efficient utilization of resources, and the promotion of industrial growth. When an allottee repeatedly defaults—especially over a prolonged period involving multiple violations of lease terms and statutory provisions—restoring such a lease poses significant fiscal, administrative, and public policy challenges.

15. The Uttar Pradesh State Industrial Development Authority (UPSIDA) operates under a financial model designed to recover the cost of infrastructure, fund new development projects, and ensure equitable distribution of industrial plots. Allowing restoration of a lease despite persistent non-payment undermines fiscal discipline and sets a precedent for leniency towards defaulters. This could result in revenue losses, delayed development of industrial infrastructure, financial strain on the authority, and end up in erosion of fiscal discipline.

16. The core objective of entities like UPSIDA is to promote rapid industrialization and economic growth. Land lying idle due to an allottee's prolonged default contradicts this aim. By restoring such leases, the State risks stalling new investments, delaying job creation, and defeating the larger purpose of its industrial policies and this would undermine public and transparency.

17. Successive failures to comply with lease terms also undermine public

interest. Permitting continued retention of land by a non-performing allottee deprives deserving applicants of opportunities and slows down industrialization efforts. If such conduct is tolerated through writ jurisdiction, it may erode public confidence in the fairness and transparency of the State's land allocation framework.

18. Restoration of leases after repeated defaults may be viewed as arbitrary or ultra vires, particularly when it contravenes the express terms of the allotment letter or lease deed. The Supreme Court in *Skyline Contractors Pvt. Ltd. (supra)* have emphasized that deliberate non-compliance with payment schedules and lease conditions justifies cancellation of allotments. Courts have consistently held that leniency towards such defaulters undermines the integrity of the allotment process and sets a detrimental precedent.

19. A policy of restoring leases after long-term default would create a negative precedent for future allottees to disregard payment schedules and statutory obligations, anticipating eventual concessions. This undermines the deterrent effect of enforcement measures like cancellation and e-auction, weakening the overall governance framework of industrial land allocation.

20. In essence, restoring a lease deed after 14 successive failures to pay dues and violations of statutory provisions is not merely a question of administrative discretion; it strikes at the very foundation of fiscal discipline, public interest, and industrial policy objectives. The UPSIDA has acted in a manner that balances equity with accountability, ensuring that public resources are allocated to genuine entrepreneurs who can contribute to economic development and employment generation. Any contrary approach risks financial losses, delays in industrial growth, and erosion of public trust in the State's administrative fairness.

21. Therefore, having regard to the petitioner's repeated non-compliance with the demand notices dated 07.12.2020, 02.06.2021, 07.12.2021, 22.12.2021, 04.03.2022, 26.05.2022, 12.07.2022, 24.11.2022, 14.12.2022, 14.03.2023, 09.06.2023, 19.09.2023, 28.12.2023, and 07.03.2023, coupled with the violation of Clauses 15(a), 15(b), 15(c), and 23 of the lease deed dated 09.09.2020 as well as other provisions of the Urban Planning and Development Act, 1973, this Court finds no ground to extend indulgence in the exercise of its writ jurisdiction. The grounds urged by the petitioner do not merit interference under Article 226 of the Constitution of India, as UPSIDA's actions are neither arbitrary nor violative of the principles of natural justice.

22. Accordingly, for the reasons stated hereinabove, the writ petition fails on merits and is hereby *dismissed*. There shall be no order as to costs.

Order Date :- 11.07.2025

NLY